

AUDIT & GOVERNANCE COMMITTEE

16 September 2026

REPORT OF THE AUDIT WORKING GROUP 2 SEPTEMBER 2026

Report by the Deputy Chief Executive (Section 151 Officer)

RECOMMENDATION

The Audit and Governance Committee is recommended to NOTE the report.

Executive Summary

1. The Audit Working Group (AWG) met on 2 September 2026. The group received an update on the implementation of management actions arising from the audit of Bridge Management and the audit of Highways Contract Management, which were both undertaken in 2025/26.

Introduction

2. Attendance:
Full Meeting: Councillors: Roz Smith (Chair), Ron Batstone, Gavin McLauchlan, Leigh Rawlins, John Shiri, James Fry. Independent member: Paul McGinn

Officers: Full meeting: Sarah Cox, Head of Internal Audit & Counter Fraud, Jack Nicholson, Committee Officer, Dave Burn, Chief Governance Officer, Paul Fermer, Director of Environment and Highways, Conor O'Sullivan, Assistant Project Manager, Stephen Fitzgerald, Ops Manager Asset Management and Programmes Management Lead, Andrew Branch, Arcadias, Richard Scarlett, Head of Commercial and Procurement Services

Officers: Part meeting: Ian Dyson, Director of Finance and Commercial

Matters to Report:

Internal Audit of Bridge Management 2025/26

3. An Internal Audit of Bridge Management was completed in 2025/26 and resulted in an overall Red Assurance opinion. The Audit & Governance Committee requested that progress in implementing the agreed management actions be monitored through the Audit Working Group. The audit identified significant weaknesses across all areas reviewed, including governance and strategy, asset management, inspection, maintenance and repairs, contract management, budget monitoring, management oversight and performance management.

4. The Director of Environment and Highways provided an update on the weaknesses identified and the scale and complexity of the improvements required. The service acknowledges that significant action is needed to strengthen the control environment and provide greater assurance that structures-related risks are being effectively managed. Specialist support has therefore been commissioned to assist with identifying and delivering the required improvements.
5. Management is working on delivery of an improvement programme to strengthen governance, asset management, data quality, inspection and defect management, financial controls, strategic planning, performance monitoring and service oversight across the structures function.
6. The Audit Working Group received an update on progress against the agreed actions and was advised that the commissioned specialist is expected to report to management by the end of September. The report will inform the next phase of improvement activity, and a summary of the findings will be shared with the Audit Working Group.
7. The Audit Working Group requested a further update on the delivery of the improvement programme, including progress in implementing the outstanding audit actions. It was agreed that the Director of Environment and Highways would liaise with the Head of Internal Audit & Counter Fraud to schedule a future progress report. This will provide assurance over the management and monitoring of structures-related risks, the effectiveness of revised contractual and governance arrangements, and the adequacy of service capacity and specialist skills within the structures function.

Internal Audit of Highways Contract Management 2025/26

8. An Internal Audit of Highways Contract Management was completed in 2025/26 and received an overall Amber opinion. The Audit & Governance Committee requested that progress against the agreed management actions be reviewed by the Audit Working Group. The audit identified weaknesses across the areas of governance, contract management and payment controls.
9. The Director of Environment and Highways and the Head of Commercial and Procurement Services provided an update on the actions taken to address the findings. Working jointly with Commercial and Procurement Services, service management is implementing a programme of improvements to strengthen contract governance, risk management, performance monitoring, financial controls and management information, thereby improving assurance over service delivery, decision-making and governance of the contract.
10. The Audit Working Group was satisfied with the progress being made and agreed that officers should provide a further update, supported by a short report, when the Bridges Management audit is next presented to the Group. This follow-up report will provide assurance on the effectiveness of contract management arrangements following implementation of the agreed actions from the audit and the wider improvement programme currently underway.

Financial Implications

11. There are no direct financial implications arising from this report.

Legal Implications

12. There are no direct legal implications arising from this report however it is imperative that the mitigations and measures discussed at the Audit Working Group for both audits are implemented in accordance with agreed commitments. Progress should be monitored and regularly reviewed as part of the audit update process.

Lorna Baxter,
Deputy Chief Executive & S151 Officer

Annex: None
Background papers: None

Contact Officer: Sarah Cox, Head of Internal Audit & Counter Fraud

September 2026